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SUBJECT: YEMEN'S MEPI STRATEGY

REF A) STATE 126550; B) SANAA 166

1. (U) Summary: Embassy Sanaa presents the MEPI Strategy 2003/04 at para 2, prepared by the Embassy Development Team that includes Pol/Econ, PD and USAID. This strategy reflects Embassy Sanaa's long-term goals for MEPI. Embassy Sanaa believes MEPI will become a substantive part of our engagement with the ROYG, and looks forward to substantial programs in the MEPI pillars of Education, Democracy and Economic Reform. End Summary.

2. (U) BEGIN MEPI STRATEGY TEXT:

Introduction and Overview

In the past two years, the U.S.-Yemeni relationship made great strides: Yemen is a key partner in the war on terrorism, a USAID office re-opened, and recent Parliamentary elections demonstrate that Yemen is making solid democratic progress. However, internal instabilities are threatening the country's move towards greater democracy and economic freedom, which could possibly weaken the U.S.-Yemen partnership against terrorism. Extreme poverty, an uneducated populace, inexperienced civil society, and traditional tribal order all threaten Yemen's ability to move forward.

Over the next five years, Embassy Sanaa's MEPI goals are aimed at giving Yemen an opportunity to provide its citizens with more educational opportunities, stronger democratic institutions, and improved economic conditions. MEPI initiatives will expand choices in education, government, and economics to empower all Yemenis, including the traditionally marginalized categories of the poor, women, and children, to become active participants in all aspects of Yemeni society.

Specifically, we expect Yemen to have made great strides in its security situation, buttressed by significant progress in democracy. A diversified economy will provide jobs for a growing population. In education, we envision greater access to schools for both girls and boys, and more education choices that lead toward jobs in the private sector.

Specifically, Embassy Sanaa requests MEPI funding for:

Education Reform

- 1) Expanding basic education and literacy;
- 2) Increasing English language training;
- 3) Improving technical training; and
- 4) Expanding U.S.- Yemeni Education and Research Cooperation

Political Reform

- 1) Strengthening democratic institutions
- 2) Improving electoral processes
- 3) Reforming the judiciary
- 4) Increasing the professionalism of media organizations and journalists

Economic Reform

- 1) Increasing trade and investment
- 2) Expanding employment and business opportunities at the local level
- 3) Enhancing policy reform and program development

Each pillar strategy is comprehensive and includes an analysis of the need for reform along with achievable and measurable results. The entire MEPI strategy corresponds to our 2005 MPP plan, including Goal 3: Democratic Systems and Practices; Goal 4: Economic Growth and Development; and Goal 5: International Public Opinion. Based on this strategy, Embassy Sanaa looks forward to working closely with MEPI and USAID personnel to develop specific activities and Request for Grant Proposals.

Education

The quality of education and training helps determine economic development and social progress in Yemen. Therefore, Embassy Sanaa will focus on raising education standards and providing the training needed to meet the demands of the modern business environment and increased trade. Higher education standards will also create an improved climate for development goals. Corresponding with Post's MPP Economic Growth and Development and International Public Opinion goals, the MEPI Education strategy includes support for: 1) Expanding basic education and literacy; 2) Increasing English language training; 3) Improving technical training; and 4) Expanding US-Yemeni education and research cooperation.

1. Expanding Basic Education and Literacy

Problem: Only half of all Yemeni children aged 6 to 11 enroll in school and gender disparity is pronounced, especially in rural areas where only 30% of girls attend school and two-thirds drop out before completing their primary education. In the rural areas where three-fourths of Yemenis live, 68% of men and 94% of women have had no formal education or have failed to complete primary school. Nearly all (91%) never-married rural women are illiterate. Only 60 percent of teachers have a basic education, or at most, one to two years of secondary school. The majority of children in grades 4-6 have difficulty relating what they learn in schools to their daily lives. Most pupils have limited ability to read, write or solve problems. There are shortages of teachers and teaching materials. Constraints also include severe overcrowding, insufficient numbers of schools and inadequate school buildings.

In Yemen, girls are more likely to enroll and stay in school if they have female teachers, but only a fifth of Yemeni teachers are women and only 8% of those women teachers work in the rural areas. Only 56% of schools have any toilet facilities and few have separate facilities for girls. Overcrowded co-educational classrooms also deter girls' enrollment and retention because families feel uncomfortable with the close physical proximity of male and female students.

MEPI Strategy:

The USG education strategy in Yemen focuses on basic education (grades 1-6), improved literacy, especially for women and girls, and education reform. To carry out these goals, Embassy Sanaa seeks MEPI funding in the following areas: 1) Enhancing access to quality primary education in the public sector; 2) Increasing literacy and numeracy for adults and out-of-school youth at the community level; and, 3) Improving the environment for public education.

1. Enhancing access to quality primary education in the public sector:

- Build, renovate and equip elementary schools in partnership with community organizations. Special attention will be paid to physical constraints to girls' participation (e.g. separate latrines)
- Train teachers (especially female teachers) with a focus on improved students' ability to think abstractly and solve problems
- Train administrators to better manage limited resources and increase engagement with the community

2. Increasing literacy and numeracy for adults and out-of-school youth at the community level:

- Create opportunities for illiterate men, women and children in rural communities to learn to read, write and do basic math in programs related to their needs. Community-based activities may include radio/video/internet distance-learning and parents' and women's education circles

3. Improving the environment for public education

- Develop district and governorate education plans with community participation; Increase citizen input by providing education planning and program grants
- Promote new teaching approaches, i.e., interactive and inquiry-based learning
- Develop policies to increase girls' enrollment and retention in school
- Structure outreach programs to educate adults and out-of-school youth
- Provide technical assistance to the Ministry of Education and the district and governorate education offices to implement the ROYG decentralization objectives and the ROYG Basic Education Strategy
- Provide technical assistance to the ROYG at all

- levels to collect and use education data for planning and management
- Develop IT applications that can be used with solar and satellite technology
- Develop programs to improve public attitudes regarding the value of education, especially for girls

Expected Results:

- Increased number of teachers trained in interactive, inquiry-based, teaching methods
- Increased number of administrators trained, with a focus on maximizing limited resources
- Education facilities improved
- Increased average number of days teachers spend in the classroom
- Increased enrollment and retention of girls in school
- Increased numbers of adults and out-of-school youth with improved basic literacy and numeracy skills
- Expanded communities receiving education outreach services
- Community-based education organizations formed or strengthened
- District and governorate education plans and resource allocation budgets prepared with community participation
- District and governorate education offices with data-based planning capacity; District education offices that plan and share budget information with the community

12. Increasing English Language Training

Problem: English language instruction is uneven throughout the Republic of Yemen. In Sanaa, English has become a "second language," where it is routinely used in business, educational and diplomatic endeavors. The Yemen America Language Institute (YALI)'s high enrollment figures (approximately 1,350 students per term), the number of new language institutes, and the number of professional job vacancies requiring English proficiency all point to a clear demand for quality English language instruction.

Outside of Sanaa, however, a far lower percentage of the population has any working knowledge of English. Moreover, there are few venues to learn English outside of Yemeni schools and universities in the major cities. Even where English is taught, the quality of language teaching is mediocre. Without increased opportunities to learn English, Yemen's development options will continue to be limited along with the American-Yemeni political, economic, and cultural relations.

MEPI Strategy:

To improve the quality of English language training in Yemen and to expand access to English instruction, Embassy Sanaa seeks MEPI funding to:

- Expand English language instruction in rural Yemen
- Provide training in technical and specialty topics (e.g. medical, auxiliary health services, public administration, engineering, business, trade, finance)
- Offer stipends (tuition, fees, materials, transportation and living expenses) for students and in-service training
- Train English teachers in improved methodology and curriculum
- Supply instructional materials to expand English in public sector classrooms

Expected Results:

- Increased numbers of schools and language centers teaching English
- Expanded pool of teachers able to teach English
- More Yemenis able to communicate and work in English

13. Expanding Technical Training:

Problem: There are too few job opportunities for Yemen's growing population. For those who have a high school education, finding work is difficult because their skills often do not match the needs in the public and private sectors. Adults also do not have the skills now demanded by the labor market and must be retrained. Furthermore, those who have academic degrees often lack the practical skills required by employers.

MEPI Strategy:

To provide appropriate training suitable for the job market in Yemen and to enhance education opportunities for Yemenis, the Embassy seeks to use MEPI funding to:

- Train teachers at technical universities in updated

- teaching methodology
- Strengthen Community College management and their ability to provide practical, job-related training
- Promote workforce development centers with the private and public sectors
- Develop curricula in basic technical areas such as: computer skills, laboratory technicians, medical equipment operators and repair technicians, electronics, management, accounting, building management, construction management, hotel and tourism administration
- Offer scholarships to enable students to attend technical training (tuition, fees, materials, transportation and living expenses)

Expected Results:

- Increased enrollment at technical institutes
- Strengthened community college system, including increased enrollment
- Workforce development centers established in partnership with the private and public sectors
- New curricula and teaching materials developed and used by teachers
- Expanded number of students trained and placed in jobs

14. Expanding US/Yemeni Education and Research Cooperation:

Problem: American researchers who wish to visit Yemen lack a permanent home from where to base their research. Presently, the American Institute of Yemeni Studies (AIYS), the premier institute of its kind in Sanaa, has been operating out of ill-equipped, leased quarters. As a result, AIYS is unable to expand its cultural outreach activities that promote deeper understanding between Yemen and America.

MEPI Strategy: Post seeks funding to acquire a facility for AIYS.

Expected Results:

- Enhanced U.S.- Yemen cooperation in research and cultural exchanges
- Establishment of a permanent home for the American Institute of Yemeni Studies

----- Political Reform -----

Despite a weak economy, nascent democratic development, and few examples to draw from in the Middle East, Yemen has moved towards significant political reform since 1990. Yemen has universal suffrage, a multi-party system, elected national and local representatives, and an active, if still-developing, civil society sector. However, recent April 2003 parliamentary elections exposed the considerable weaknesses that remain in Yemen's political reform efforts, including allegations of fraud, a lack of support for women candidates, and a judicial and media system that favored the ruling party.

With local council and presidential elections scheduled for 2006 providing an important opportunity, the MEPI goals of strengthening democratic processes, promoting the rule of law and accountable, effective government institutions, and strengthening the role of media in society will help strengthen citizens' participation in democratic life and foster a society in which adherence to the rule of law is the norm. Corresponding with Post's MPP Democratic Systems and Practices goal, the Embassy Sanaa strategy for MEPI political reform support includes the following categories: 1) Strengthening democratic institutions; 2) Improving electoral processes; 3) Reforming the judiciary; and, 4) Increasing the professionalism of media organizations and journalists.

1. Strengthening Democratic Institutions

Problem: Yemen's democratic institutions remain fragile, which reduces the avenues by which strong democratic reform can take root, particularly regarding the inclusion of women and other underrepresented groups. Local councils, elected in 2001, represent an arm of government close to the citizens where women and opposition parties stand a much better chance to take advantage of political life. However, local councils lack the resources, skills, and knowledge of their power to function properly. ROYG Ministry offices at the district and governorate levels lack the ability, resources, and experience to implement ROYG decentralization policy, and engage effectively with elected officials and citizens.

The Parliament also remains weak and is not effective in providing oversight of the executive branch of ROYG, drafting legislation, or representing constituents. While Yemen enjoys an active multi-party system, the ruling party

dominates the political scene and all parties lack a clear long-term strategy, a membership base that represents citizens, and a democratic internal structure. Strong political parties that effectively represent Yemenis are needed to consolidate democratic progress. In a similar way, most non-governmental organizations (NGOs) suffer from poor organization, little experience, and unfocused goals that reduce their ability to advocate effectively on behalf of the community, particularly outside of urban areas.

MEPI Strategy:

To strengthen democratic institutions, Embassy Sanaa seeks MEPI funding for long-term multi-year programs for activities in the following areas: 1) Increasing democratic participation; 2) Encouraging decentralization; and, 3) developing the NGO sector and civil society.

1. Increasing Democratic Participation

- Local council governance program to assist members to better represent their constituents and act as more effective officials through training on their legally mandated roles and responsibilities, including integrating traditional tribal culture into democratic political culture. (FY 02 MEPI funds have funded the first-phase of this project via the National Democratic Institute (NDI) through March 04.)
- Parliamentary strengthening program to build the institutional capacity and increase the ability of parliament to act as an independent entity through training new members, fostering communication between democratic institutions and improving constituency relations
- Political party strengthening program to consolidate party representation of citizens and strong multi-party competition
- Women in politics program to improve the skills and knowledge of women office holders and increase the number and efficacy of future women candidates for public office as a complement and follow-on program to the regional campaign training schools program that began in November 2002 and ongoing NDI programming.

2. Encouraging Decentralization:

- Pilot decentralization projects in selected governorates to train and equip local councils to manage resources and provide services to constituents
- Pilot decentralization projects in selected governorates to train and equip local offices of ROYG Ministries to engage effectively with local councils and citizens to plan and implement sectoral programs

3. Developing the NGO sector and Civil Society:

- Enable the NGO sector and civil society to effectively participate in community and human rights development through training interventions and establishing an NGO support center

Expected Results:

- Increased numbers of local councils that represent citizens effectively, obtain and allocate resources wisely, provide needed services to the community, integrate tribal culture and offer avenues for women and other disadvantaged groups to participate in democratic life
- Increased number of times Parliament challenges government initiatives or amends legislation
- Increased number of Members of Parliament (MPs) who represent constituents effectively
- Increased use of strategic planning and internal democratic processes by political parties
- Increased party membership base representing citizens across Yemen
- Increased multi-party competition resulting in a more balanced political spectrum
- Increased numbers of women in elected office
- Increased numbers of elected women and men with the ability to advocate effectively on issues
- Increased efficacy and number of NGOs that effectively advocate on behalf of citizens
- Increased number of district and governorate offices of ROYG Ministries that engage substantively with local councils and citizens in program planning and resource allocation

2. Improving Electoral Processes

Problem: The April 2003 parliamentary elections marked an improvement in Yemen's electoral process, but significant flaws show that much more work is needed to build confidence in the electoral process. With local council and presidential elections scheduled for 2006, problems with the voter registry (caused by a lack of civil registry documenting citizens accurately that allowed significant

underage voting), election administration, political party fraud, and citizen confidence in the election must be addressed.

MEPI Strategy:

To improve the electoral process, Embassy Sanaa seeks support for the following long-term programs:

- Continue to assist to the Supreme Committee for Elections and Referenda (SCER) to professionalize its operations and to administer the 2006 elections in an effective, independent and confidence-building manner
- Assist the ROYG and SCER to develop a modern, cost-effective, accurate and comprehensive civil registry
- Support and train Yemeni civil society groups to monitor the elections to help ensure confidence in the election and to foster political party confidence in the SCER and election administration

Expected Results:

- Increased professionalism in the SCER resulting in effective management of and confidence in the electoral process
- The first-ever civil registry in Yemen and government identification cards for all Yemenis
- Improved accuracy in voter registration and other benefits, including citizen access to basic services and more effective counter-terrorism measures
- Increased confidence in election results through monitoring and effective adjudication of citizen, NGO and political party concerns

13. Reforming the Judiciary

Problem: Yemen's judicial system needs comprehensive reform, including reconciling differing pre-unification laws, de-politicizing judges, strengthening the application and implementation of law, training more effective and fair judges, and effectively responding to human rights concerns. The absence of effective rule of law affects all aspects of Yemeni society negatively, including undermining the stability of land tenure, fostering a reliance on tribal adjudication outside the political system, and negative impacts on expanded trade and investment.

MEPI Strategy:

Participate in the MidEast Regional Judicial Reform program and design effective follow-up programming within the Yemeni judicial system by training judges, assisting in the reform and effective implementation of key laws, and encouraging the non-politicization of judges.

Expected Results:

- Improved information sharing of best practices in judicial reform across the region
- Increased number of judges that are impartial and give fair judgments
- Increased number of needed laws that are implemented effectively
- Increased confidence and transparency in the judicial system, lessening the reliance on traditional tribal justice

14. Increasing the Professionalism of Media Organizations and Journalists

Problem: While Yemen has a fairly active government and opposition written press compared to other countries in the Middle East, it suffers from ruling-party dominated broadcast media, government oppression of journalists, and a lack of professional journalists trained in investigative and factual reporting.

MEPI Strategy:

To increase the professionalism of media organizations and journalists, Embassy Sanaa seeks funding to establish a Media Training Center to:

- Provide working journalists with best practices and methods of journalism, including investigative and factual reporting
- Offer training and support to foster a more effective media sector
- Work to reduce government oppression of the media

Expected Results:

- Increased professionalism of journalists resulting in more effective reporting and decreased oppression of journalists

Economic Growth

One of the 25 poorest and least developed countries in the world, Yemen's real GDP per capita is approximately US\$300. According to the World Bank, GDP growth for 2002 was 2.9 %, which does not match population growth of 3.5% a year. Unemployment is estimated to be 25-35%, and oil resources, which account for one third of the gross national product and 70% of government revenues, are expected to decline significantly during the next decade. Despite these negative indicators, many international donors praised Yemen's fiscal policy and progress in economic reform throughout the last five years.

MEPI goals encouraging foreign direct investment and developing revenue and employment growth will help diversify and strengthen the Yemeni economy by providing jobs, expanding the economic base, and, in the long term, lessen Yemen's dependence on oil. Corresponding to its MPP Economic Growth and Development goal, the Embassy Sanaa strategy for MEPI economic reform support has three goals: 1) Increasing trade and investment; 2) Expanding employment and business opportunities at the local level; and, 3) Enhancing policy reform and program development.

1. Increasing Trade and Investment

Problem: Yemen is considered by the World Bank to be among the most open and trade liberalized countries in the MENA region. However, oil exports represented more than 95 percent of total merchandise exports in 2000. Of the remaining 5 percent, products such as fish, coffee, fruits, and vegetables are low value added. This fact made economic growth in Yemen vulnerable to volatility in price and demand.

Obstacles constraining the growth potential and development of export-potential sectors are:

- Weak institutional and organizational structures that fail to uphold competition and prevent monopoly, ensure good quality products and protect intellectual property rights
- Limited infrastructure necessary to enhance exporting activities
- Limited-quality economic, population and trade data
- Limited information about markets and demand for products
- Informal activities that dominate the private sector
- Lack of technical know-how, product quality and trade experience resulting in the inability to meet international standards

Similar constraints also restrict the ability of Yemeni producers to contribute to internal economic growth and employment creation by exporting their products to markets within Yemen.

Foreign investors are discouraged from investing in Yemen because the commercial legal system is ill-equipped to adjudicate disputes. Judges are often unfamiliar with commercial law, and since unification, conflicting laws remain on the books. Courts are burdened with large caseloads and, often, a case may take years to be heard and then stagnates in the appellate process. If a commercial ruling is won, it is rarely enforced. Without a clear land-titling system, limited ability to collateralize against property, and courts' reluctance to enforce default judgments against property collateral, domestic investors are also reluctant to invest their money into new businesses.

MEPI Strategy:

The MEPI strategy for trade assistance will work to enhance the export climate and to reform commercial law to establish the appropriate export and investment environment in Yemen. MEPI goals will be coordinated with and assist in Yemen's active participation in the proposed U.S.-Middle East Free Trade Area. Embassy Sanaa will also integrate commercial law reform with the MidEast Regional Judicial Reform Program and subsequent follow-up activities. Embassy Sanaa seeks MEPI funding to:

1. Enhance the Export Climate

- Identify trade opportunities. Targeted research in selected sectors will identify opportunities to expand exports and increase investment in new businesses
- Develop the country's overall export potential through an improved legal, regulatory, and institutional environment for international trade
- Improve the quality of data needed for expanded trade and investment
- Provide exporters with the training and technical expertise required to meet international standards
- Support selected elements of the WTO Integrated Framework

- Increase economic growth and jobs

12. Reform Commercial law

- Train judges and lawyers in commercial law
- Embark on a program to deconflict old laws remaining on the books since unification
- Expand existing alternative dispute resolution mechanisms to lessen reliance on the over burdened court system
- Develop programs to train ROYG courts to enforce commercial rulings
- Identify participants for the Mideast Regional Judicial Reform Program

Expected Results:

Export Climate:

- New trade opportunities identified
- Expanded investment in export sectors
- Improved legal and regulatory environment
- Increased international, regional and internal trade; Enhanced trade links between Yemen and regional trading partners
- Level of non-oil exports increased
- Improved quality and transparency in commercial and population data
- Selected elements of the WTO Integrated Framework supported
- Increased economic growth and jobs at the sub-regional level through increased trade within Yemen

Commercial law:

- Increased numbers of judges and lawyers with appropriate commercial training
- Expanded use of alternative dispute resolution, if proven more effective, for commercial cases
- Evidence of enforcement of commercial dispute decisions

12. Expanding employment and business opportunities at the local level

Problem: With unequal access to government, credit and markets, the growth in number, size, and productivity of small to medium-sized enterprises (SMEs) stagnated over the last decade. Because SMEs comprise 96 percent of the private sector, their lack of growth is stalling the Yemen economy and helping to increase the poverty level.

The underserved governorates of Marib, Al-Jawf, Shabwa, Saada, and Amran, in particular, have vast, unrealized potential in the agriculture, mining, and light manufacturing sectors. Enterprises cannot take advantage of these resources and potential because they lack financial, business, and marketing services and know-how. Virtually no opportunities exist for entrepreneurs to access capital, to expand or start enterprises or to receive business development support (e.g. marketing, business planning).

MEPI Strategy:

The focus will be placed on providing small and medium-sized enterprises with greater and reliable access to sustainable financial and business services: 1) Enhance microfinance and SME finance institutional development; 2) create SME business development services; and, 3) Expand SME association development. This program element will pay particular attention to expanded business and employment opportunities for women.

11. Enhance Microfinance and SME Finance Institutional Development

- Create and enhance institutional entities that are able to offer finance to small lenders in Marib, Al-Jawf, Shabwa, Amran, and Saada Governorates

12. Create SME Business Development Services (BDS)

- Develop access to non-financial services for micro and small entrepreneurs to receive training and technical assistance, technology transfer, product and services marketing assistance, general management assistance, and business mentoring

13. Expand SME Association Development

- Develop associations that integrate producers, processors and vendors into a single organization focused on developing different sub-sectors and enhancing the prospects of economic success

Expected Results:

- SME finance providers developed and offering

services in the five target governorates
-- SME finance providers reach sustainability (meeting 100% of their operational and financial costs) and offer services to capable SMEs
-- Technical assistance and training programs for SMEs developed
-- Business development services available for specific SME sectors, such as agriculture, food processing, transport, handicraft and tourism, mining, and light manufacturing
-- Increase in business linkages between SMEs and economic drivers
-- Associations developed, coordinating and networking
-- New business opportunities identified
-- Increase in income and employment generating-activities

13. Enhancing Policy Reform and Program Development

Problem: Economic development in Yemen is constrained by limited institutional support by the ROYG and the private sector.

MEPI Strategy:

To enhance the Republic of Yemen's policy reform and program development, Embassy Sanaa will seek funding to:

- Expand and improve the higher education and research institute systems' to support economic growth in trade, investment and SMEs
- Expand the ability of the ROYG Ministry of Industry and Trade to produce and share business abstracts and reports
- Develop comprehensive district and governorate economic and development growth plans
- Establish economic development offices and/or authorities at the local level
- Expand business education and training in high schools, community colleges and universities
- Establish public/private sector fora to identify obstacles to expanded business and employment opportunities

Expected Results:

- Increased access to information
- Improved laws, regulations and policies
- Economic growth integrated into local level planning
- Increased numbers of Yemenis with business-related skills
- Improved partnerships between the public and private sector

(END TEXT OF MEPI STRATEGY)